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C O N F I D E N T I A L SECTION 01 OF 02 BAKU 000012

SIPDIS

COMMERCE FOR D.STARKS  
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TAGS: [ECON](#) [ETRA](#) [EINV](#) [EIND](#) [AJ](#)  
SUBJECT: AZERBAIJAN: THE MARKET FOR LABOR

REF: A. (A) 09 BAKU 856  
[1](#)B. (B) 09 BAKU 864

Classified By: Charge d'Affaires a.i. Robert Garverick, Reasons 1  
.4 b and d.

[1](#)1. (SBU) SUMMARY: Azerbaijan's Range Rover class may be awash in wealth as oil exports continue to grow, but we see no evidence that oil wealth has transformed wages at the bottom end of the salary scale. The largest employer of unskilled Azeri labor is the construction sector; the number of jobs in this sector has grown substantially, but wages are unchanged. The number of unskilled workers emigrating to Russia, Ukraine, or Turkey has fallen as more jobs are created at home. According to EBRD statistics, approximately 18 percent of Azerbaijan benefits from foreign remittances. At the same time, Azeri employers bring in skilled workers from Europe and/or traffic in laborers from other countries who sometimes go unpaid. End Summary.

[1](#)2. (SBU) Oil wealth has turned Baku into a giant construction site, with new hotel, office and residential construction taking place all over the city. This has created a demand for unskilled labor, and a migration of middle-aged men from rural Azerbaijan to Baku. Most construction firms do not sign contracts with these laborers but instead pay in cash. This way the firm avoids taxes - as well as labor laws that could make it more difficult to dismiss an employee or might require the firm to provide compensation to an injured employee.

[1](#)3. (SBU) Wages for day laborers are generally around \$15 per day and accidents are frequent, due to the lack of safety precautions. Many work without protective uniforms, qualified medical support, or protective railings on balconies, stairways, and open roofs. Because of the high number of unregistered and casual, day laborers in this sector, we suspect that true unemployment rates rose as dramatically as oil prices fell in late 2008 and early 2009, even though published unemployment rates have remained stable at 6.5 per cent.

[1](#)4. (SBU) Another option for an unskilled laborer is to immigrate to Russia, Ukraine, or Turkey, where construction and service-sector jobs are considered plentiful. Most emigrants move to Russia and work as traders in Russian markets, but some also work in construction. According to Russian newspapers, wages in the construction industry are about \$500 to \$1,000 per month. The remittances sent by these migrants become the main source of income for their families in Azerbaijan. Banks advertising money transfers from Russia can be found in nearly every small town in

Azerbaijan.

15. (SBU) According to statistics from the European Bank for Reconstruction and Development (EBRD), 1.5 million Azeris (in a country whose total population is 8.2 million) benefited from remittances abroad. The EBRD further reported that 523,000 Azeris received remittances "on a regular basis," and that the average recipient receives 6 remittances per year. The study also revealed that 79 per cent of those who received remittances said the remittances came from Russia and that the average amount sent per remittance is USD 169. Azeris surveyed told the EBRD they spent about 80 per cent of their remittances on basic expenses such as food, housing, clothing, utilities, and medicine.

16. (SBU) The growth of the construction sector has also created a demand for foreign labor in Baku. One Italian engineer told an Embassy Officer that his firm prefers to hire laborers from Eastern Europe because they follow directions. "We tell the Azeris 'you are putting the sewer grates on upside-down,' and they say 'no we aren't.' and they keep on installing them upside-down." Some have also speculated that just as there is prestige associated with driving a German car, so too is there a prestige associated with importing labor, even unskilled labor. According to Rauf Tagiyev of the Ministry of Labor, 5,970 foreign laborers were officially registered in Azerbaijan, but the number of un-registered foreign laborers could be "several times" that. Tagiyev said that of those officially registered, 30 percent work in the oil and construction sectors. The construction sector jobs include both private construction and public

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construction, including roads, bridges, and pedestrian underpasses.

17. (C) In addition to a legal labor market and an off-the-books (but functional) labor market, there is also evidence of human trafficking present in Azerbaijan. One EmbOff was made aware of a large trafficking ring of Bosnian Serbs in October 2009 (ref A). About 346 men were brought to Azerbaijan by a Serbian company called SerbAz to work on construction projects, including the Buta Palace (used by the GOAJ for high-level official functions), and the GOAJ-run Mingachevir Olympic Center. There is evidence that SerbAz may be connected to the Ministry of Youth and Sports. Another EmbOff was told by Peace Corps Volunteers that they had spoken with a Chinese migrant who had been in Azerbaijan for two years and had to stay two more to "pay off her debt" before she could return home (ref B).

18. (C) COMMENT: While the poverty present in Azerbaijan (and the government's relative lack of interest in alleviating it) may be sad, we believe it is unlikely to pose a serious threat to the current government. Azeris seem to be far more conflict-averse than their neighbors in Georgia or Ukraine, and most would never complain publicly about their plight. The most public act they have taken to date has been to quietly work abroad; we expect that will continue. We believe that future migration levels will correlate closely with the oil prices and volumes, as well as economic growth rates in neighboring countries; as oil revenue rises, more unskilled jobs will be created in Baku, and emigration will likely fall. End Comment.  
GARVERICK